

Message Text

LIMITED OFFICIAL USE

PAGE 01 ACCRA 07045 281635Z

ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 IO-13 AID-05 CIAE-00 COME-00

EB-08 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-07 CEA-01 AGRE-00 ABF-01 /115 W

-----126788 281647Z /64

P R 281606Z AUG 78

FM AMEMBASSY ACCRA

TO SECSTATE WASHDC PRIORITY 5327

INFO AMEMBASSY ABIDJAN

AMEMBASSY LAGOS

AMEMBASSY LOME

AMEMBASSY LONDON

AMEMBASSY OUAGADOUGOU

LIMITED OFFICIAL USE ACCRA 7045

LAGOS FOR AGATT, LONDON FOR SEITZ

EO 11652: NA

TAGS: EFIN, GH

SUBJ: DEVALUATION

REFS: (A) ACCRA 6228; (B) ACCRA 6822; (C) ACCRA 6500

1. SUMMARY. AFTER TEN WEEKS OF "CREEPING DEVALUATION,"

GHANA DEVALUED ITS CEDI AUGUST 25

BY A FURTHER 39 PERCENT FROM 59 TO 36 U.S. CENTS. THIS

SHARP CHANGEN COMING ON THE EVE OF DISCUSSIONS WITH THE

IMF CONCERNING THE FY 1979 BUDGET, WILL IMPACT FAVORABLY

ON THE BUDGET AND SIGNIFICANTLY ADVANCE GHANA'S ECONOMIC

POLICY REFORM EFFORT. THE OFFICIAL ANNOUNCEMENT MAKE

IT CLEAR THAT FURTHER EXCHANGE RATE ADJUSTMENTS ARE TO

FOLLOW. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ACCRA 07045 281635Z

2. PROGRESS TO DATE. THE PROCESS OF DEVALUATION, BEGUN

JUNE 19 WHEN ONE CEDI WAS VALUED AT 86.96 US CENTS, CREPT

ALONG THROUGH AUGUST 24, WHEN THE CEDI HAD MOVED TO

59.17 CENTS. THEN ON AUGUST 25, IT WAS ABRUPTLY DROPPED 39

PERCENT TO 36.36 CENTS FOR AN OVERALL DEVALUATION SINCE

JUNE 19 OF 58 PERCENT. THE U.S. DOLLAR IS THE INTERVENTION

CURRENCY.

3. PROCESS TO CONTINUE. THE GOVERNMENT STATEMENT, AS QUOTED IN THE PRESS, SAID IN PART: QUOTE THE GOVERNMENT OF THE SUPREME MILITARY COUNCIL ACCEPTS THE VIEW THAT THE EXCHANGE RATE LIKE ALL OTHER PRICES MUST BE SUBJECT TO PERIODIC REVIEW AND MUST BE AMENABLE TO PERIODIC CHANGES DEPENDING UPON THE COUNTRY'S ECONOMIC SITUATION AND THE RELATIONSHIP BETWEEN THE CEDI AND OTHER MAJOR CURRENCIES. THE BANK OF GHANA WILL THEREFORE CONTINUE TO MONITOR THE RATE AND DEVELOPMENTS IN THE ECONOMY AND TO QUOTE DAILY THE EXCHANGE RATE FOR THE CEDI AGAINST THE U.S. DOLLAR AND THE OTHER MAJOR CURRENCIES AS BEFORE. UNQUOTE.

4. COMMENT. THIS SHARP DEVALUATION WILL IMPACT FAVORABLY ON GHANA'S FY 1979 (JULY TO JUNE) BUDGET, WHICH IS TO BE DISCUSSED THIS WEEK IN DRAFT WITH IMF OFFICIALS IN WASHINGTON (REFTEL B). GHANA'S COCOA EXPORTS HAVE BEEN PROVIDING 33 PERCENT OF CENTRAL GOVERNMENT CURRENT REVENUES. (THE DIFFERENCE BETWEEN THE PRICE PAID THE PRODUCER AND THE CEDI VALUE OF THE EXPORT PRICE OF COCOA HAS PROVIDED ONE-THIRD OF CURRENT (BUDGET) REVENUES.) THE DEVALUATION, BY INCREASING THE CEDI VALUE OF SUCH EXPORTS, WILL BOTH PERMIT AN INCREASE IN THE PRODUCER PRICE AND INCREASE BUDGET REVENUES, THEREBY EASING THE PROBLEM OF MOVING TOWARD A BALANCED BUDGET (REFTEL B). BOTH MEASURES ARE KEY POLICY ELEMENTS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 ACCRA 07045 281635Z

IN GHANA'S EMERGING EFFORTS TO STABILIZE ITS ECONOMY. WHILE THE DEVALUATION DOES NOT YET GO FAR ENOUGH (THE CURRENT BLACK MARKET RATE IS ABOUT SEVENTEEN CENTS OR LESS FOR ONE CEDI), THE STATEMENT CLEARLY INDICATES THAT FURTHER ADJUSTMENTS WILL BE MADE.

5. WE EXPECT TO TRANSMIT FULL TEXT OF GOG STATEMENT BY AIRGRAM AND FURTHER COMMENTS BY TELEGRAM, FOLLOWING CALL ON BANK OF GHANA DEPUTY GOVERNOR, SCHEDULED FOR AUGUST 29. HOLMES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVALUATIONS, CEDI
Control Number: n/a
Copy: SINGLE
Draft Date: 28 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ACCRA07045
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780351-0231
Format: TEL
From: ACCRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780815/aaaaamhc.tel
Line Count: 104
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: dd14635a-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 ACCRA 6228, 78 ACCRA 6822, 78 ACCRA 6500
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1596071
Secure: OPEN
Status: NATIVE
Subject: DEVALUATION
TAGS: EFIN, GH
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/dd14635a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014